

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Abraham & Gellray, P.C.</i> <i>Alan M. Stone</i>			Date	

**Tri-County Aging Consortium
Lansing, Michigan**

FINANCIAL STATEMENTS

September 30, 2004

Tri-County Aging Consortium

September 30, 2004

ADMINISTRATIVE BOARD

Virginia Zeeb	Chairperson
Jon Reynolds	Vice-Chairperson
Sandy Allen	Board member
Harold Leeman	Board member
David Weiner	Board member
Debbie Miner	Board member
William Sharp	Board member
Leonard Peters	Board member
Kim Maylee	Board member
Calvin Lynch	Board member
Tina Weatherwax-Grant	Board member
Andy Schor	Board member
Mary Rademacher	Board member

ADMINISTRATION OFFICIALS

Marion Owen	Executive Director
Amy Colletti	Finance Director

Tri-County Aging Consortium

TABLE OF CONTENTS

September 30, 2004

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i-ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii-viii
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets and Governmental Funds Balance Sheet	1-2
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	3
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances	4-5
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes In Fund Balances to the Statement of Activities	6
Notes to Financial Statements	7-15
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	16
Budgetary Comparison Schedule - Special Revenue Fund	17
OTHER SUPPLEMENTARY INFORMATION	
Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Special Revenue Fund	18-23
Schedule of Expenditures of Federal Awards	24
Notes to Schedule of Expenditures of Federal Awards	25
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	26-27
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	28-29
SCHEDULE OF FINDINGS	30
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	31

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA

Karen A. Roka, CPA
James A. Huguelet, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
American Institute of
Certified
Public Accountants
and
Michigan Association of
Certified Public
Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tri-County Aging Consortium
Lansing, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Tri-County Aging Consortium, as of and for the year ended September 30, 2004, which collectively comprise the Consortium's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Tri-County Aging Consortium for the year ended September 30, 2003, were audited by other auditors whose report dated February 4, 2004, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of the Tri-County Aging Consortium as of September 30, 2004, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 4, 2005, on our consideration of the Tri-County Aging Consortium's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Consortium's basic financial statements. The accompanying other supplementary information and Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

February 4, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Tri-County Aging Consortium, we offer our readers of the financial statements this narrative overview and analysis of the financial activities of Tri-County Aging Consortium for the fiscal year ended September 30, 2004.

Financial Highlights

This discussion and analysis is required by the Governmental Accounting Standards Board (GASB) Statement No. 34. The GASB is charged with developing "generally accepted accounting principles" (GAAP) for governmental entities and is the main standard-setting body for governmental GAAP.

As shown on the Tri-County Aging Consortium's Statement of Net Assets listed in the following pages, assets exceeded liabilities by \$2,462,264 at the end of the fiscal year, which represents a decrease from the prior year of \$69,091.

Overview of the Financial Statements

This discussion and analysis is intended to provide a basis of understanding Tri-County Aging Consortium's basic financial statements. These statements are made up of three components: (1) government-wide financial statements (2) fund financial statements, and (3) notes to the financial statements. Supplementary information is also provided for additional informational purposes.

To simplify financial reporting and improve readability, the government-wide financial statements and the fund statements have been combined to report the Statement of Net Assets and Governmental Funds Balance Sheet on a single page and the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances on a single page. The financial statements also contain required and other supplementary information in addition to the basic financial statements themselves.

Government-wide Statements

The Statement of Net Assets presents information on all of Tri-County Aging Consortium's (the "Consortium") assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as an indicator of the Consortium's overall financial position.

The Statement of Activities presents information showing how the Consortium's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

The Statement of Activities reports the costs of the services that the Consortium provides which are principally supported by State and Federal grant revenues. The governmental activities of the Consortium include regional planning, coordination, contracting and direct provision of services for clients through various programs that promote and preserve the independence and dignity of the aging population.

The Government-wide Financial Statements include only the Consortium itself. The Consortium has no legally separate component units for which the Consortium is financial accountable. In this report, combined financial statements are provided for the Governmental Funds Balance Sheet and the Statement of Net Assets and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activity. The General Fund, Grants Special Revenue Fund, and Capital Projects Fund are considered to be major funds for financial reporting purposes.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Consortium, like other units of state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activities of the Consortium are accounted for in governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported in the government-wide financial statements. However, unlike the government-wide financial statements, Governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the Governmental Funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental fund with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between the governmental fund and the government-wide statements.

The Consortium adopts an annual appropriated budget for all of its funds. Budgetary comparison schedules have been provided for the required funds herein to demonstrate compliance with those budgets.

The Consortium does not maintain proprietary or fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the Consortium's financial statements. The notes to the financial statements can be found on pages 7 through 15 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to management discussion and analysis and budgetary comparison schedules, as listed in the Table of Contents.

This is the second year of implementation of Governmental Accounting Standards Board Statement No. 34, which required the reporting model in the following tables. Listed in the tables is prior-year information along with current year data in order to present comparative analysis of government-wide data.

	Year Ended 9/30/03	Year Ended 9/30/04
Condensed Statement of Net Assets:		
Current and other assets	\$ 3,142,596	\$ 3,229,298
Capital assets	<u>198,747</u>	<u>155,411</u>
Total assets	<u>3,341,343</u>	<u>3,384,709</u>
Long-term liabilities outstanding	-0-	44,860
Other liabilities	<u>809,988</u>	<u>877,585</u>
Total liabilities	<u>809,988</u>	<u>922,445</u>
Net Assets:		
Invested in capital assets	198,747	155,411
Restricted for other purposes	-	1,329,672
Unrestricted	<u>2,332,608</u>	<u>977,181</u>
Total net assets	<u>\$ 2,531,355</u>	<u>\$ 2,462,264</u>
Condensed Statement of Net Activities:		
Revenue		
Program Revenues	\$ 9,960,884	\$ 10,051,851
General Revenues	<u>597,162</u>	<u>261,291</u>
Total revenue	<u>10,558,046</u>	<u>10,313,142</u>
Expenses		
Health and Welfare	<u>10,687,824</u>	<u>10,382,233</u>
Change in Net Assets	<u>\$(129,778)</u>	<u>\$(69,091)</u>

	Year Ended 9/30/03	Year Ended 9/30/04
Capital Assets and Debt Administration:		
Tri-County Aging Consortium Capital Assets		
Capital assets being depreciated:		
Leasehold improvements	\$ 142,677	\$ 142,677
Vehicles	128,164	128,164
Equipment	<u>272,670</u>	<u>282,345</u>
Sub-total	<u>543,511</u>	<u>553,186</u>
Accumulated Depreciation		
Leasehold improvements	85,606	95,118
Vehicles	56,703	72,612
Equipment	<u>202,455</u>	<u>230,045</u>
Total Accumulated Depreciation	<u>344,764</u>	<u>397,775</u>
Total capital assets being depreciated - net	<u>198,747</u>	<u>155,411</u>
Governmental activities capital assets - net	<u>\$ 198,747</u>	<u>\$ 155,411</u>
Long-term Debt		
Total	<u>\$ 58,577</u>	<u>\$ 56,075</u>

Additional information on the Consortium's long-term debt can be found in Note E on page 12 of this report.

Economic Factors and Budgetary Highlights

The Consortium amended its 2004 budget during the fiscal year to reflect changes in State Grant Award amounts as well as increased costs for health, workers compensation, and general liability insurance. For the General Fund, revenues were in excess over expenditures by \$174,711 in 2004 and the revenue for the Grants Special Revenue Fund was under expenditures by (\$200,048) in 2004. Compared to 2003 the figures for the amount the General Fund expenditures exceeded revenues was by \$43,113 and the revenue for the Grants Special Revenue Fund was under expenditures by (\$158,550) in 2003. The results of operation in 2004 showed an improved financial position over 2003 for both the General Fund and the Grants Special Revenue Fund.

As of the end of 2004, the Consortium reported combined ending fund balances in the Grants Special Revenue Fund of \$627,083. That is a decrease of \$44,291 in comparison with the prior year. This decrease is primarily due to two major factors. The Nutrition program budgeted the use of fund balance for operations during the year and actual use amounted to \$15,731 of fund balance. The HCBS Waiver program used \$30,384 of its fund balance for operations during the year to cover the operating administration portion of its budget. These depletions are from *fund balances* that were *designated* for use within these programs.

During fiscal year 2004, the fund balance of the Consortium's General Fund increased by \$77,526. This is primarily attributable to cost saving measures implemented and prior period adjustments. During fiscal year 2003 the fund balance of the Consortium's General Fund increased by \$31,163. This is a favorable increase in 2004 over the prior period.

During fiscal year 2004, general fund expenditures were less than budgetary estimates, resulting in an actual increase in fund balance that exceeded the final amended budget amount by \$6,881. For 2003 the actual increase in fund balance that exceeded the final amended budget amount was \$31,163. This change is due to more accurate budgetary estimates in 2004.

In all instances where actual expenditures exceeded appropriations in the final budget, overages were funded through the use of available fund balance and revenues.

Budget to actual comparisons for all other Consortium special revenue funds were generally favorable in varying degrees. Overall the financial position has improved during the year. The largest unavoidable rising cost is due to the increases seen in medical insurance. Other costs that could have a large impact are staff cost of living increases and staff merit increases. In 2004 there were no cost of living increases or merit increases that were awarded to staff in order to keep costs down.

For the following components of the Grants Special Revenue Fund there was a significant increase in the State Grant Award over 2003: Title III Administrative increased \$11,727; Title III-B Services increased \$30,740; Title III-C1 Nutrition had an overall increase of \$35,993; Title III-C2 State Home Delivered Meals had an overall increase of \$25,144; Respite had a total increase of \$17,127. Title III E Services had a decrease in the State Grant Award from 2003 in the amount of (\$39,903). Also the Senior Employment program was eliminated in 2004. In 2003 the State Grant Award was \$30,030 for Senior Employment.

The HCBS Waiver program had revenues of \$6,479,279 and expenses of \$6,585,373 in 2003. This was a net excess of (\$106,094) of expenditures over revenue. In 2004 the HCBS Waiver program had revenues of \$6,178,022 and expenses of \$6,270,887. This was a net excess of (\$92,865) of expenditures over revenue which is an improved position over the prior year.

For fiscal year 2005 no further budget cuts are expected. We will make the appropriate adjustments to the fiscal year 2005 budget should any other decreases or budget cuts materialize.

Future Information

In 2006 the Tri-County Aging Consortium is expecting cuts in Community Services which will only affect our Annual Contractors by up to 4%. No other cuts to services are anticipated at this time which would have a significant effect on the Consortium's financial position or operations.

Requests for Information

This financial report is designed to provide a general overview of Tri-County Aging Consortium's finances for all those with an interest in the Consortium's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, Tri-County Office on Aging, 5303 South Cedar Street, Lansing, MI 48911.

BASIC FINANCIAL STATEMENTS

Tri-County Aging Consortium

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET

September 30, 2004

	General	Grants Special Revenue	Capital Projects (Capital Campaign)
ASSETS			
Cash and cash equivalents	\$ 1,021,081	\$ 1,269,144	\$ 642,188
Receivables			
Accounts receivable	8,526	1,971	-
Due from other governmental units	-	207,062	-
Prepays	800	7,081	-
Cash and cash equivalents - restricted	-	-	71,445
Capital assets, net	-	-	-
TOTAL ASSETS	\$ 1,030,407	\$ 1,485,258	\$ 713,633
LIABILITIES			
Accounts payable	\$ 1,772	\$ 664,843	\$ -
Accrued payroll	9,070	91,819	-
Other accrued liabilities	2,106	-	-
Due to other governmental units	-	96,760	-
Deferred revenue	27,613	4,753	-
Accrued compensated absences	-	-	-
TOTAL LIABILITIES	40,561	858,175	-0-
FUND BALANCES			
Reserved for			
Prepays	800	7,081	-
Eating better/moving more	-	234	-
Capital campaign	-	-	713,633
Care management	-	17,875	-
Crisis management	-	15,394	-
BCBS - fall prevention	-	1,570	-
Friends for life	184,207	-	-
Designated for			
HCBS Waiver	-	546,460	-
Title III-C2 state home delivered meals	-	34,507	-
Unreserved			
Undesignated, reported in			
General fund	804,839	-	-
Special revenue fund	-	3,962	-
TOTAL FUND BALANCES	989,846	627,083	713,633
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,030,407	\$ 1,485,258	\$ 713,633
NET ASSETS			
Invested in capital assets			
Restricted for other purposes			
Unrestricted			
TOTAL NET ASSETS			

See accompanying notes to financial statements.

Total Governmental Funds	Adjustments	Statement of Net Assets
\$ 2,932,413	\$ -	\$ 2,932,413
10,497	-	10,497
207,062	-	207,062
7,881	-	7,881
71,445	-	71,445
-0-	155,411	155,411
<u>\$ 3,229,298</u>	<u>155,411</u>	<u>3,384,709</u>
\$ 666,615	-	666,615
100,889	-	100,889
2,106	-	2,106
96,760	-	96,760
32,366	(32,366)	-0-
-0-	56,075	56,075
<u>898,736</u>	<u>23,709</u>	<u>922,445</u>
7,881	(7,881)	-0-
234	(234)	-0-
713,633	(713,633)	-0-
17,875	(17,875)	-0-
15,394	(15,394)	-0-
1,570	(1,570)	-0-
184,207	(184,207)	-0-
546,460	(546,460)	-0-
34,507	(34,507)	-0-
804,839	(804,839)	-0-
3,962	(3,962)	-0-
<u>2,330,562</u>	<u>(2,330,562)</u>	<u>-0-</u>
<u>\$ 3,229,298</u>		
	155,411	155,411
	1,329,672	1,329,672
	<u>977,181</u>	<u>977,181</u>
	<u>\$ 2,462,264</u>	<u>\$ 2,462,264</u>

Tri-County Aging Consortium

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

September 30, 2004

Total fund balance - governmental funds \$ 2,330,562

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 553,186	
Accumulated depreciation is	<u>(397,775)</u>	
Capital assets, net		155,411

Long-term receivables are not available to pay for current period expenditures
and are therefore deferred in the funds. These consist of:

Deferred revenue		32,366
------------------	--	--------

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Compensated absences	<u>(56,075)</u>	
----------------------	-----------------	--

Net assets of governmental activities \$ 2,462,264

See accompanying notes to financial statements.

Tri-County Aging Consortium

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2004

	General	Grants Special Revenue	Capital Projects (Capital Campaign)
EXPENDITURES/EXPENSES			
Health and welfare	\$ 416,610	\$ 9,866,319	\$ 58,465
PROGRAM REVENUES			
Charges for services	-	497,441	-
Operating grants and contributions	346,026	9,161,771	14,247
TOTAL PROGRAM REVENUES	346,026	9,659,212	14,247
NET PROGRAM EXPENSES	(70,584)	(207,107)	(44,218)
GENERAL REVENUES			
Interest	16,598	7,059	8,937
Municipal appropriations	228,697	-	-
TRANSFERS	(106,055)	106,055	-
TOTAL GENERAL REVENUES AND TRANSFERS	139,240	113,114	8,937
NET CHANGE IN FUND BALANCES	68,656	(93,993)	(35,281)
CHANGE IN NET ASSETS	-	-	-
Fund balances/net assets, beginning of the year	912,320	671,374	748,914
Prior period adjustments	8,870	49,702	-
Fund balances/net assets, end of the year	\$ 989,846	\$ 627,083	\$ 713,633

See accompanying notes to financial statements.

Total Governmental Funds	Adjustments	Statement of Activities
\$ 10,341,394	\$ 40,839	\$ 10,382,233
497,441	-	497,441
9,522,044	32,366	9,554,410
10,019,485	32,366	10,051,851
(321,909)	(8,473)	(330,382)
32,594	-	32,594
228,697	-	228,697
-0-	-	-0-
261,291	-0-	261,291
(60,618)	60,618	-0-
-0-	(69,091)	(69,091)
2,332,608	198,747	2,531,355
58,572	(58,572)	-0-
<u>\$ 2,330,562</u>	<u>\$ 131,702</u>	<u>\$ 2,462,264</u>

Tri-County Aging Consortium

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2004

Net change in fund balances - total governmental funds \$ (60,618)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	9,675	
Depreciation expense	<u>(53,011)</u>	
Excess of depreciation expense over capital outlay		(43,336)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	32,366
--	--------

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued compensated absences	<u>2,497</u>
--	--------------

Change in net assets of governmental activities	<u><u>\$ (69,091)</u></u>
--	---------------------------

See accompanying notes to financial statements.

Tri-County Aging Consortium
NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Tri-County Aging Consortium (the "Consortium") is the designated Area Agency on Aging (AAA) for Region VI of Michigan (Ingham, Clinton, and Eaton Counties). As an AAA, the Consortium is responsible for regional planning and coordination of services for older people. This designation dates back to April 1974, when the first Area Plan for this region was approved by the State of Michigan Offices of Services to the Aging.

The Consortium began in 1972 when a grant from the State Commission on Aging was awarded to the Lansing Planning Department to conduct a needs survey for Lansing elderly. As a result of this research, the Lansing City Council created a Senior Citizens Department in January 1974. Later that year, the Department secured the necessary two thirds approvals of the Boards of Commissioners of Ingham, Clinton, and Eaton Counties to apply for designation as an Area Agency on Aging under the Older Americans Act.

The Consortium Board, the policy-making body for the agency, was established under the Urban Cooperation Act of 1967. The Consortium's twelve-member board features the combined input and representation from the Lansing Mayor's Office, Lansing City Council, East Lansing City Council, and the Boards of Commissioners of Ingham, Clinton, and Eaton Counties. Each of the governmental bodies contributes local funds which finance a portion of the Consortium's activities. The Consortium then pursues other funding sources to bring tax dollars back into the region for the purpose of providing services to senior citizens.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity*; and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements are exclusive presentations of the financial condition and results of operations of the Tri-County Aging Consortium.

2. Basis of Presentation

Combined financial statements are provided for the Governmental Funds Balance Sheet and the Statement of Net Assets and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities. Descriptions of both presentations included in the basic financial statements are as follows:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Consortium as a whole.

The statement of activities presents the direct functional expenses of a given function or segment and the program revenues that support them. Direct expenses are specifically associated with a function or segment and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest and all County appropriations and shows how governmental functions are either self-financing or supported by the general revenues of the Consortium.

FUND FINANCIAL STATEMENTS

The Consortium uses three funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The governmental fund financial statements present the Consortium's major funds.

Tri-County Aging Consortium
NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- CONTINUED

2. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

The major funds of the Consortium are:

- a. General Fund - This fund is the Consortium's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. Grants Special Revenue Fund - This fund reports grant program revenues and expenditures of Federal and State grant monies primarily passed through the Offices on Services to the Aging (OSA).
- c. Capital Projects Fund - This fund accounts for the acquisition of capital assets or construction of major capital projects.

3. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Revenues for grants and contributions are recognized when all eligibility requirements imposed by the provider have been met.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual include state and federal grants and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The Consortium reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities - defined as expected to be received within sixty days of year-end. Deferred revenues also arise when the Consortium receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

4. Measurement Focus

The government-wide statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Tri-County Aging Consortium
NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- CONTINUED

5. Budgets and Budgetary Accounting

The annual budget of the Consortium is prepared by Consortium management and approved by the Board at the total expenditure level. Any revisions to the original budget are approved by the Board before the end of the fiscal year.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of the Consortium's checking accounts, imprest cash, money market and fixed income funds.

7. Restricted Cash

Restricted cash consists of an endowment fund held by the Capital Region Community Foundation for building and equipment purchases by the Meals on Wheels program.

8. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and charges for services, and accounts receivable related to charges for services, interest receivable and other amounts owed to the Consortium at year-end.

9. Interfund Transactions

During the course of normal operations, the Consortium has numerous transactions between funds, including expenditures and transfers of resources to provide services. The accompanying financial statements generally reflect such transactions as operating transfers.

10. Prepays

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenditures/expenses.

11. Capital Assets

Capital assets include equipment, vehicles, and leasehold improvements and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an initial individual cost of \$5,000 or more, with estimated useful lives of more than two years. Capital assets are not recorded in the governmental funds. Instead, capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Leasehold improvements	15 years
Vehicles	6 years
Equipment	10 years

Tri-County Aging Consortium
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- CONTINUED

12. Compensated Absences

The Consortium's policy is to permit employees to accumulate earned but unused vacation time, subject to varying amounts based on length of service. This amount has been recorded in the statement of net assets.

13. Deferred Revenue

Deferred revenue consists of amounts related to long-term assets recorded at the fund level that are not available to finance current period expenditures and are therefore deferred. Since these revenues have been earned, they are not deferred in the government-wide financial statements.

14. Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

15. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since its inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH AND CASH EQUIVALENTS

In accordance with Michigan Compiled Laws, the Consortium is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States Banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Tri-County Aging Consortium
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Corporation or Government National Mortgage Association.

The Consortium's bank deposits at September 30, 2004, are composed of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Regular checking	\$ 1,355,326	\$ 1,310,771
Savings and certificates of deposit	<u>136,262</u>	<u>136,262</u>
	<u>\$ 1,491,588</u>	<u>\$ 1,447,033</u>

The cash and cash equivalents reported in the basic financial statements include \$300 in imprest cash.

Bank deposits of the Consortium are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Consortium. As of September 30, 2004, the Consortium's accounts were insured by the FDIC for \$135,660, and the amount of \$1,310,373 was uninsured and uncollateralized.

As of September 30, 2004, the carrying amounts and market values for each investment are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>
PRIMARY GOVERNMENT		
Insured or registered for which the securities are held by the Consortium's agent in the Consortium's name - Uncategorized		
Mutual Funds	\$ 87,899	\$ 87,899
Fixed Income Funds	<u>1,424,071</u>	<u>1,424,071</u>
	<u>\$ 1,511,970</u>	<u>\$ 1,511,970</u>

The investments are insured and registered with securities held by Linsco/Private Ledger Financial Services, Inc. The maximum insurance for investments with Linsco/Private Ledger Financial Services, Inc. is provided by the Securities Investor Protection Act at \$500,000 each.

Tri-County Aging Consortium
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE C: CAPITAL ASSETS

The following provides a summary of the changes in capital assets for the year ended September 30, 2004:

	Balance <u>Oct. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Sept. 30, 2004</u>
Leasehold improvements	\$ 142,677	\$ -	\$ -	\$ 142,677
Vehicles	128,164	-	-	128,164
Equipment	<u>272,670</u>	<u>9,675</u>	<u>-</u>	<u>282,345</u>
	543,511	9,675	-0-	553,186
Less accumulated depreciation for:				
Leasehold improvements	85,606	9,512	-	95,118
Vehicles	56,703	15,909	-	72,612
Equipment	<u>202,455</u>	<u>27,590</u>	<u>-</u>	<u>230,045</u>
Total accumulated depreciation	<u>344,764</u>	<u>53,011</u>	<u>-0-</u>	<u>397,775</u>
Capital assets, net	<u>\$ 198,747</u>	<u>\$ (43,336)</u>	<u>\$ -0-</u>	<u>\$ 155,411</u>

NOTE D: INTERFUND TRANSFERS

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to Grants Special Revenue Fund from:	
General Fund	<u>\$ 106,055</u>

NOTE E: LONG-TERM DEBT

The following is a summary of the changes in long-term debt (including current portion) of the Consortium for the year ended September 30, 2004:

	Restated Balance <u>Oct. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Sept. 30, 2004</u>	Amounts Due Within <u>One Year</u>
Accumulated compensated absences	<u>\$ 58,572</u>	<u>\$ -</u>	<u>\$ 2,497</u>	<u>\$ 56,075</u>	<u>\$ 11,215</u>

Accumulated Compensated Absences

In accordance with Consortium personnel policies, individual employees have vested rights upon termination of employment to receive payment for unused vacation under formulas and conditions specified in their personnel policies handbook.

The dollar amount of these vested rights including related payroll taxes, amounted to \$56,075 for vacation leave at September 30, 2004. This amount has been reported as a liability in the government-wide financial statements.

Tri-County Aging Consortium
NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE F: RETIREMENT PLAN

Plan Description

The Consortium participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the Consortium. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the Board of Directors. The plan requires no contribution from the employees.

Annual Pension Cost

For the year ended September 30, 2004, the Consortium's annual pension cost of \$192,175 for the plan was equal to the Consortium's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five (5) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll contributions over 30 years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
Actuarial value of assets	\$ 3,971,364	\$ 4,149,575	\$ 4,536,525
Actuarial accrued liability (AAL) (entry age)	3,643,807	3,759,209	4,164,750
Unfunded AAL	327,557	390,366	371,775
Funded ratio	109 %	110 %	109 %
Covered payroll	1,928,251	1,826,113	1,929,247
UAAL as a percentage of covered payroll	0 %	0 %	0 %

	Year Ended September 30,		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Annual pension cost	\$ 235,156	\$ 165,424	\$ 192,175
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

NOTE G: RISK MANAGEMENT

The Consortium is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which they carry commercial insurance. During the year ended September 30, 2004, the Consortium has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three years.

Tri-County Aging Consortium
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE H: NON-CANCELABLE OPERATING LEASE OBLIGATIONS

The Tri-County Aging Consortium has entered into a twenty-year, non-cancelable long-term lease requiring monthly payments of \$13,605 through December 2017. In addition, the Consortium pays monthly operating expenses of \$7,712, which is adjusted annually to reflect the actual cost. The following is a schedule of future minimum lease payments required under this operating lease as of September 30, 2004.

Future minimum payments are as follows:

2005	\$ 163,260
2006	163,260
2007	163,260
2008	163,260
2009	163,260
2010-2014	816,300
2015-2017	<u>367,335</u>
 TOTAL PAYMENTS	 <u>\$ 1,999,935</u>

NOTE I: PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were made during the year, which were the result of the correction of accounting errors. These adjustments were reported as a change to beginning fund balance. The effect on operations and other affected balances for the current year are as follows:

	September 30, <u>2004</u>	<u>2003</u>	<u>Description</u>
General Fund			
Accrued vacation	\$ -	\$(8,870)	Correct overstatement of
Revenue over (under) expenditures	-	8,870	accrued vacation
Fund balance - beginning	8,870	-	
Special Revenue Fund			
Accrued vacation	-	(49,702)	Correct overstatement of
Revenue over (under) expenditures	-	49,702	accrued vacation
Fund balance - beginning	49,702	-	

NOTE J: FUND EQUITY RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance that the Consortium has set aside for specific purposes.

The following are the various fund balance reserves as of September 30, 2004:

General Fund	
Reserved for	
Prepays	\$ 800
Friends for Life	<u>184,207</u>
	185,007

Tri-County Aging Consortium
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE J: FUND EQUITY RESERVES AND DESIGNATIONS - CONTINUED

Special Revenue Fund	
Reserved for	
Prepays	\$ 7,081
Eating Better/Moving More	234
Care Management	17,875
Crisis Management	15,394
BCBS/Fall Prevention	<u>1,570</u>
	42,154
Capital Projects Fund	
Reserved for	
Capital Campaign	<u>713,633</u>
TOTAL REPORTING ENTITY	<u>\$ 940,794</u>

The following are the various fund balance designations as of September 30, 2004:

Special Revenue Fund	
Designated for	
HCBS Waiver	\$ 546,460
Title III-C2 State Home Delivered Meals	<u>34,507</u>
TOTAL REPORTING ENTITY	<u>\$ 580,967</u>

NOTE K: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of September 30, 2004:

Governmental activities	
Restricted for Other Purposes	
Eating Better/Moving More	\$ 234
Capital Campaign	713,632
Care Management	17,875
HCBS/Waiver	546,460
Crisis Management	15,394
Nutritional Supplemental	34,507
BCBS - Full Prevention	<u>1,570</u>
	<u>\$ 1,329,672</u>

REQUIRED SUPPLEMENTARY INFORMATION

Tri-County Aging Consortium

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental - Federal/State	\$ 7,000	\$ 2,000	\$ 2,000	\$ -0-
Other grants - local sources	322,238	331,506	341,965	10,459
Municipal appropriations				
City of Lansing	66,993	66,993	77,611	10,618
City of East Lansing	10,776	10,776	10,796	20
Ingham County	56,145	56,145	56,145	-0-
Clinton County	30,566	30,566	33,415	2,849
Eaton County	50,730	50,730	50,730	-0-
Interest	12,504	19,798	16,598	(3,200)
Contributions	1,295	1,295	2,061	766
TOTAL REVENUES	558,247	569,809	591,321	21,512
EXPENDITURES				
Health and welfare				
Salaries and wages	188,179	195,496	197,708	(2,212)
Fringe benefits	56,254	58,834	53,700	5,134
Operating expenditures	146,196	151,731	141,282	10,449
Professional services	19,000	16,100	21,603	(5,503)
Travel and training	2,300	1,330	2,317	(987)
TOTAL EXPENDITURES	411,929	423,491	416,610	6,881
EXCESS OF REVENUES OVER EXPENDITURES	146,318	146,318	174,711	28,393
OTHER FINANCING (USES)				
Operating transfers out	(146,318)	(146,318)	(106,055)	40,263
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING (USES)	-0-	-0-	68,656	68,656
Fund balance, beginning of year	912,320	912,320	912,320	-0-
Prior period adjustment	-	-	8,870	8,870
Fund balance, end of year	<u>\$ 912,320</u>	<u>\$ 912,320</u>	<u>\$ 989,846</u>	<u>\$ 77,526</u>

Tri-County Aging Consortium
Grants Special Revenue Fund
BUDGETARY COMPARISON SCHEDULE
Year Ended September 30, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for services	\$ 518,515	\$ 515,105	\$ 497,441	\$ (17,664)
Intergovernmental - Federal/State	9,186,110	9,145,996	9,110,164	(35,832)
Other grants - local sources	45,552	47,952	44,981	(2,971)
Interest	10,000	8,000	7,059	(941)
Contributions	200,202	196,894	6,626	(190,268)
TOTAL REVENUES	9,960,379	9,913,947	9,666,271	(247,676)
EXPENDITURES				
Health and welfare				
Salaries and wages	1,861,077	1,880,979	1,936,908	(55,929)
Fringe benefits	618,821	600,655	632,001	(31,346)
Operating expenditures	1,461,991	1,498,287	1,428,187	70,100
Professional services	31,545	26,828	27,245	(417)
Subcontractor expenditures	6,047,628	5,973,698	5,738,385	235,313
Travel and training	85,635	79,818	103,593	(23,775)
TOTAL EXPENDITURES	10,106,697	10,060,265	9,866,319	193,946
EXCESS OF REVENUES (UNDER) EXPENDITURES	(146,318)	(146,318)	(200,048)	(53,730)
OTHER FINANCING SOURCES				
Operating transfers in	146,318	146,318	106,055	(40,263)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES	-0-	-0-	(93,993)	(93,993)
Fund balance, beginning of year	671,374	671,374	671,374	-0-
Prior period adjustment	-	-	49,702	49,702
Fund balance, end of year	\$ 671,374	\$ 671,374	\$ 627,083	\$ (44,291)

OTHER SUPPLEMENTARY INFORMATION

Tri-County Aging Consortium

Grants Special Revenue Fund

COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND OTHER FINANCING SOURCES (USES)

Year Ended September 30, 2004

	Title III Administrative	Title III-B Services	Title III-C1 Nutrition
REVENUES			
Charges for services	\$ -	\$ 2,745	\$ 161,417
Intergovernmental - Federal/State	143,996	305,253	489,653
Other grants - local sources	-	-	-
Interest	-	-	-
Contributions	-	-	-
TOTAL REVENUES	143,996	307,998	651,070
EXPENDITURES			
Health and welfare			
Salaries and wages	85,636	96,039	220,539
Fringe benefits	31,877	33,934	77,159
Operating expenditures	17,422	5,680	323,110
Professional services	8,294	-	4,158
Subcontractor expenditures	-	172,345	12,252
Travel and training	767	-	11,680
TOTAL EXPENDITURES	143,996	307,998	648,898
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	-0-	2,172
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	\$ -0-	\$ -0-	\$ 2,172

Title III-C2 State Home Delivered Meals	Title III-D Services	BCBS-Fall Prevention	Crisis Management	Elder Abuse Prevention
\$ 323,294	\$ 320	\$ -	\$ -	\$ -
953,975	28,526	-	-	5,999
44,586	-	-	-	-
379	-	-	267	-
6,504	-	-	-	-
1,328,738	28,846	-0-	267	5,999
464,421	-	-	-	-
158,213	-	-	-	-
697,542	-	-	42	-
8,718	-	-	-	-
-	28,846	3,891	22,179	5,999
70,020	-	-	-	-
1,398,914	28,846	3,891	22,221	5,999
(70,176)	-0-	(3,891)	(21,954)	-0-
105,871	-	-	-	-
(10,253)	-	-	-	-
95,618	-0-	-0-	-0-	-0-
<u>\$ 25,442</u>	<u>\$ -0-</u>	<u>\$ (3,891)</u>	<u>\$ (21,954)</u>	<u>\$ -0-</u>

Tri-County Aging Consortium

Grants Special Revenue Fund

COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND OTHER FINANCING SOURCES (USES) - CONTINUED

Year Ended September 30, 2004

	Title VIIA Services	HCBS Waiver	Senior Center Staffing
REVENUES			
Charges for services	\$ -	\$ -	\$ -
Intergovernmental - Federal/State	11,486	6,171,609	37,433
Other grants - local sources	-	-	-
Interest	-	6,413	-
Contributions	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	11,486	6,178,022	37,433
EXPENDITURES			
Health and welfare			
Salaries and wages	-	868,587	-
Fringe benefits	-	269,261	-
Operating expenditures	-	287,389	-
Professional services	-	5,215	-
Subcontractor expenditures	11,486	4,823,269	37,433
Travel and training	-	17,166	-
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	11,486	6,270,887	37,433
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	(92,865)	-0-
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	<hr/> <hr/> \$ -0-	<hr/> <hr/> \$ (92,865)	<hr/> <hr/> \$ -0-

Alternative Care	Title V	Care Management	Respite	Medicare/ Medicaid Assistance
\$ -	\$ -	\$ -	\$ 8,505	\$ -
146,246	27,143	256,304	231,182	10,800
-	-	395	-	-
-	-	-	-	-
-	-	122	-	-
146,246	27,143	256,821	239,687	10,800
-	24,797	109,348	-	8,445
-	3,216	35,088	-	2,516
-	588	80,853	13,104	1,055
-	-	860	-	-
146,246	-	37,610	226,583	-
-	80	2,983	-	893
146,246	28,681	266,742	239,687	12,909
-0-	(1,538)	(9,921)	-0-	(2,109)
-	-	10,437	-	-
-	-	-	-	-
-0-	-0-	10,437	-0-	-0-
\$ -0-	\$ (1,538)	\$ 516	\$ -0-	\$ (2,109)

Tri-County Aging Consortium

Grants Special Revenue Fund

COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND OTHER FINANCING SOURCES (USES) - CONTINUED

Year Ended September 30, 2004

	Title IIIIE Services	Senior Refugee Project	State In-Home Care
REVENUES			
Charges for services	\$ 1,160	\$ -	\$ -
Intergovernmental - Federal/State	115,865	35,599	106,174
Other grants - local sources	-	-	-
Interest	-	-	-
Contributions	-	-	-
TOTAL REVENUES	117,025	35,599	106,174
EXPENDITURES			
Health and welfare			
Salaries and wages	26,506	10,117	-
Fringe benefits	8,184	2,805	-
Operating expenditures	23	1,153	-
Professional services	-	-	-
Subcontractor expenditures	82,312	21,520	106,174
Travel and training	-	4	-
TOTAL EXPENDITURES	117,025	35,599	106,174
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	-0-	-0-
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	\$ -0-	\$ -0-	\$ -0-

State Access Service	Eating Better Moving More	Total
\$ -	\$ -	\$ 497,441
32,221	700	9,110,164
-	-	44,981
-	-	7,059
-	-	6,626
32,221	700	9,666,271
22,473	-	1,936,908
9,748	-	632,001
-	226	1,428,187
-	-	27,245
-	240	5,738,385
-	-	103,593
32,221	466	9,866,319
-	234	(200,048)
-	-	116,308
-	-	(10,253)
-0-	-0-	106,055
\$ -0-	\$ 234	\$ (93,993)

Tri-County Aging Consortium
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2004

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Michigan Office of Services to the Aging			
Title IIIC	10.550		
Food Donation		\$ 199,690	\$ 199,690
U.S. DEPARTMENT OF LABOR			
Passed through Michigan Office of Services to the Aging			
Senior Community Service Employment - Title V	17.235	27,143	27,143
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Michigan Office of Services to the Aging			
Title VII Elder Abuse Prevention	93.041	5,999	5,999
Title VIIA Services LTC Ombudsman	93.042	11,486	11,486
Title IIID In-Home Services	93.043	28,526	28,526
Aging Cluster ^(a)			
Title III Area Agency Administration	93.044	123,324	123,324
Title IIIB Support Services		305,253	305,253
Title IIIC	93.045		
Congregate Meals		390,552	390,552
Home Delivered Meals		<u>182,137</u>	<u>182,137</u>
Total Aging Cluster		1,001,266	1,001,266
Title IIIE Services	93.052	115,865	115,865
Michigan Senior Refugee Project	93.576	35,599	35,599
Medicare/Medicaid Assistance Program	93.779	<u>10,800</u>	<u>10,800</u>
Total passed through Michigan Office of Services to the Aging		1,209,541	1,209,541
Passed through Michigan Department of Community Health	93.778		
HCBS/ED - Waiver ^(a)		<u>3,588,094</u>	<u>3,588,094</u>
TOTAL FEDERAL AWARD EXPENDITURES		<u>\$ 5,024,468</u>	<u>\$ 5,024,468</u>

Tri-County Aging Consortium

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2004

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the Tri-County Aging Consortium and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a) - (b) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Denotes program tested as "major program".
- (b) The following reconciles the federal revenues reported in the September 30, 2004, fund financial statements to the expenditures of the Consortium administered federal programs reported on the Schedule of Expenditures of Federal Awards:

Federal/State Revenue (per financial statements)	
General Fund	\$ 2,000
Grants Special Revenue Fund	<u>9,110,164</u>
	9,112,164
<u>Less: Portions of grant funding considered "State" funding</u>	<u>(4,087,696)</u>
	<u>\$ 5,024,468</u>

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA

Karen A. Roka, CPA
James A. Huguelet, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
American Institute of
Certified
Public Accountants
and
Michigan Association of
Certified Public
Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Tri-County Aging Consortium
Lansing, Michigan

We have audited the basic financial statements of the Tri-County Aging Consortium as of and for the year ended September 30, 2004, and have issued our report thereon dated February 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Tri-County Aging Consortium internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tri-County Aging Consortium financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Tri-County Aging Consortium in a separate letter dated February 4, 2005.

This report is intended for the information and use of the Board of Directors and management, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

February 4, 2005

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA

Karen A. Roka, CPA
James A. Huguelet, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
American Institute of
Certified
Public Accountants
and
Michigan Association of
Certified Public
Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Tri-County Aging Consortium
Lansing, Michigan

Compliance

We have audited the compliance of the Tri-County Aging Consortium with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major Federal programs for the year ended September 30, 2004. The Tri-County Aging Consortium major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major Federal programs are the responsibility of the Tri-County Aging Consortium management. Our responsibility is to express an opinion on the Tri-County Aging Consortium's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Tri-County Aging Consortium's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Tri-County Aging Consortium's compliance with those requirements.

In our opinion, the Tri-County Aging Consortium complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended September 30, 2004.

Internal Control Over Compliance

The management of the Tri-County Aging Consortium is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Tri-County Aging Consortium's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Directors and management, Federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

February 4, 2005

Tri-County Aging Consortium

SCHEDULE OF FINDINGS

Year Ended September 30, 2004

SUMMARY OF AUDITOR'S RESULTS

An unqualified opinion was issued on the basic financial statements of the Tri-County Aging Consortium.

There were no reportable conditions disclosed by the audit of the basic financial statements.

We noted no instances of noncompliance with laws, regulations, contracts, and grants that could have a direct and material effect on the basic financial statements.

An unqualified opinion was issued on compliance for major programs. We disclosed no findings regarding internal controls or compliance related to the major programs tested.

The major programs tested to cover 25 percent of the total Federal expenditures were the HCBS/ED Waiver (CFDA 93.778) program and the Aging Cluster (CFDA 93.044 and 93.045). Total Federal expenditures for the year ended September 30, 2004, for the major programs were \$4,589,360, which is approximately 91 percent of the total Federal Award expenditures. The Consortium qualified as a low risk auditee.

The dollar threshold for Type A programs of the Tri-County Aging Consortium was \$300,000. The Consortium had two (2) programs that qualified as Type A (HCBS/ED Waiver and the Aging Cluster). Programs of less than \$300,000 were determined to be Type B programs.

FINDINGS/NONCOMPLIANCE

Reportable Condition Related to Internal Control Over the Financial Statements.

None

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

None

Findings Related to Compliance with Requirements to the Major Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133.

None

Tri-County Aging Consortium
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended September 30, 2004

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Financial Statements.

No prior reportable conditions

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

No prior audit findings

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with OMB Circular A-133.

No prior audit findings

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA

Karen A. Roka, CPA
James A. Huguelet, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
American Institute of
Certified
Public Accountants
and
Michigan Association of
Certified Public
Accountants

MANAGEMENT LETTER

To the Board of Directors
Tri-County Aging Consortium
Lansing, Michigan

Ladies/Gentlemen:

As you know, we have recently completed our audit of the Tri-County Aging Consortium's records for the year ended September 30, 2004. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the systems. These suggestions are a result of our evaluation of the internal controls and our discussions with management.

1. The Consortium should escheat unclaimed property to the State of Michigan.

During our audit, it was noted that the Consortium had outstanding checks listed on their bank reconciliation that were more than one (1) year old. The Michigan Public Act 29 of 1995 provides that the Consortium report and escheat unclaimed property to the State of Michigan.

We suggest the Consortium attempt to contact the payees in an effort to clear old outstanding checks. In the event that the rightful property owners cannot be located, we suggest the Consortium review their unclaimed property and escheat funds to the State of Michigan as necessary.

2. The Consortium should obtain required documentation from program service providers.

During the course of our audit, we noted that for the Consortium's Annual Contractors program (Aging cluster) providers are not required to certify that they have not been suspended or debarred from entering into contracts under covered Federal programs.

We noted during our testing that this documentation is routinely obtained for the Medicaid Waiver program. As a result, a template for satisfying this requirement already exists within the organization.

We suggest the Consortium obtain the required certifications in the provider contracts for each provider in the Annual Contractors program.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements, and this report does not affect our report on the financial statements dated February 4, 2005.

This report is intended solely for the information of the Board of Directors of the Tri-County Aging Consortium and is not intended to be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these conditions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

February 4, 2005